

# NEWTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2010

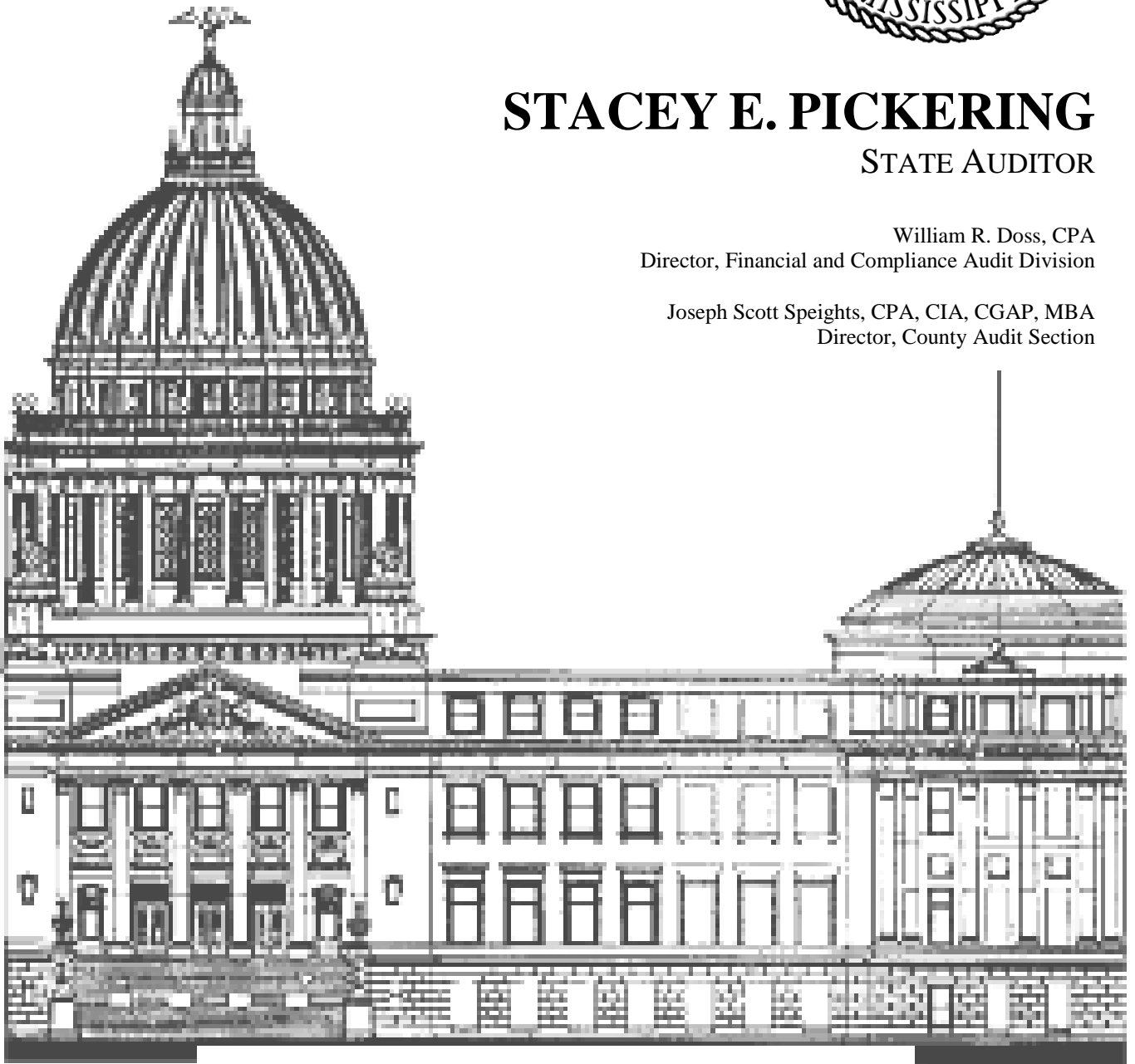


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

January 27, 2012

Members of the Board of Supervisors  
Newton County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Newton County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Newton County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Newton County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



NEWTON COUNTY  
TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR’S REPORT .....	3
FINANCIAL STATEMENTS .....	5
Statement of Net Assets .....	7
Statement of Activities .....	8
Balance Sheet - Governmental Funds .....	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	12
Statement of Net Assets - Proprietary Fund .....	13
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund .....	14
Statement of Cash Flows - Proprietary Fund .....	15
Statement of Fiduciary Assets and Liabilities .....	16
Notes to Financial Statements .....	17
REQUIRED SUPPLEMENTARY INFORMATION .....	31
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund .....	33
Notes to the Required Supplementary Information .....	34
SPECIAL REPORTS .....	35
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37
Independent Auditor’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)) .....	39
Limited Internal Control and Compliance Review Management Report .....	45
SCHEDULE OF FINDINGS AND RESPONSES .....	47

NEWTON COUNTY

FINANCIAL SECTION



NEWTON COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Newton County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

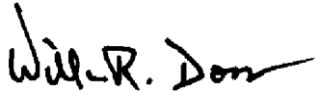
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of Newton County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Newton County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 27, 2012

NEWTON COUNTY

FINANCIAL STATEMENTS

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY  
Statement of Net Assets  
September 30, 2010

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 3,075,910	459,026	3,534,936
Property tax receivable	3,643,215		3,643,215
Accounts receivable (net of allowance for uncollectibles of \$212,173)		167,255	167,255
Fines receivable (net of allowance for uncollectibles of \$2,222,339)	147,974		147,974
Intergovernmental receivables	92,102		92,102
Other receivables		57,726	57,726
Internal balances	(77,331)	77,331	
Capital assets:			
Land	285,503	66,000	351,503
Other capital assets, net	7,133,958	309,857	7,443,815
Total Assets	<u>14,301,331</u>	<u>1,137,195</u>	<u>15,438,526</u>
LIABILITIES			
Claims payable	245,000	25,245	270,245
Intergovernmental payables	138,335		138,335
Accrued interest payable	33,088		33,088
Deferred revenue	3,643,215		3,643,215
Other payables	24,072		24,072
Long-term liabilities			
Due within one year:			
Capital debt	655,137	12,324	667,461
Due in more than one year:			
Capital debt	3,648,166		3,648,166
Non-capital debt	85,683	6,686	92,369
Total Liabilities	<u>8,472,696</u>	<u>44,255</u>	<u>8,516,951</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,116,158	363,533	3,479,691
Restricted:			
Expendable:			
General government	311,538		311,538
Debt service	140,022		140,022
Public safety	25,027		25,027
Public works	718,740	729,407	1,448,147
Culture and recreation	174		174
Conservation of natural resources	4,151		4,151
Economic development	10,316		10,316
Other purposes	255,438		255,438
Unrestricted	1,247,071		1,247,071
Total Net Assets	<u>\$ 5,828,635</u>	<u>1,092,940</u>	<u>6,921,575</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,353,910	360,034	1,386	0	(1,992,490)		(1,992,490)
Public safety	2,488,609	307,154	118,152	285,269	(1,778,034)		(1,778,034)
Public works	2,362,388		628,618	78,625	(1,655,145)		(1,655,145)
Health and welfare	107,243		20,537	13,641	(73,065)		(73,065)
Culture and recreation	76,525				(76,525)		(76,525)
Conservation of natural resources	146,816				(146,816)		(146,816)
Economic development and assistance	62,619			33,831	(28,788)		(28,788)
Interest on long-term debt	173,171				(173,171)		(173,171)
Total Governmental Activities	<u>7,771,281</u>	<u>667,188</u>	<u>768,693</u>	<u>411,366</u>	<u>(5,924,034)</u>	<u>0</u>	<u>(5,924,034)</u>
Business-type activities:							
Solid Waste	<u>676,526</u>	<u>728,992</u>	<u>3,176</u>			<u>55,642</u>	<u>55,642</u>
Total Business-type Activities	<u>676,526</u>	<u>728,992</u>	<u>3,176</u>	<u>0</u>		<u>55,642</u>	<u>55,642</u>
Total Primary Government	<u>\$ 8,447,807</u>	<u>1,396,180</u>	<u>771,869</u>	<u>411,366</u>	<u>(5,924,034)</u>	<u>55,642</u>	<u>(5,868,392)</u>
General revenues:							
Property taxes					\$ 4,914,403		4,914,403
Road & bridge privilege tax					237,187		237,187
Grants and contributions not restricted to specific programs					363,708	28,428	392,136
Unrestricted interest income					19,274	1,954	21,228
Miscellaneous					544,054		544,054
Total General Revenues					<u>6,078,626</u>	<u>30,382</u>	<u>6,109,008</u>
Changes in Net Assets					<u>154,592</u>	<u>86,024</u>	<u>240,616</u>
Net Assets - Beginning					<u>5,674,043</u>	<u>1,006,916</u>	<u>6,680,959</u>
Net Assets - Ending					<u>\$ 5,828,635</u>	<u>1,092,940</u>	<u>6,921,575</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2010

Exhibit 3

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>ASSETS</b>			
Cash	\$ 1,715,273	1,360,637	3,075,910
Property tax receivable	2,275,833	1,367,382	3,643,215
Fines receivable (net of allowance for uncollectibles of \$2,222,339)	147,974		147,974
Intergovernmental receivables	63,462	28,640	92,102
Due from other funds	40,108	99,709	139,817
Advances to other funds		255,438	255,438
Total Assets	\$ 4,242,650	3,111,806	7,354,456
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Claims payable	\$ 104,045	140,955	245,000
Intergovernmental payables	132,378		132,378
Due to other funds	55,666	120,939	176,605
Advances from other funds	1,854	300,084	301,938
Deferred revenue	2,423,807	1,367,382	3,791,189
Other payables	24,072		24,072
Total Liabilities	2,741,822	1,929,360	4,671,182
Fund balances:			
Reserved for:			
Debt service		173,110	173,110
Advances		255,438	255,438
Unreserved - undesignated, reported in:			
General Fund	1,500,828		1,500,828
Special Revenue Funds		752,729	752,729
Capital Project Funds		1,169	1,169
Total Fund Balances	1,500,828	1,182,446	2,683,274
Total Liabilities and Fund Balances	\$ 4,242,650	3,111,806	7,354,456

The notes to the financial statements are an integral part of this statement.



NEWTON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,683,274
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$7,945,716.	7,419,461
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	147,974
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,388,986)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(33,088)</u>
Total Net Assets - Governmental Activities	\$ <u><u>5,828,635</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2010

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 3,134,964	1,779,439	4,914,403
Road and bridge privilege taxes		237,187	237,187
Licenses, commissions and other revenue	169,518	6,639	176,157
Fines and forfeitures	218,350		218,350
Intergovernmental revenues	829,911	713,856	1,543,767
Charges for services	56,411	223,637	280,048
Interest income	11,578	7,696	19,274
Miscellaneous revenues	250,670	274,620	525,290
Total Revenues	4,671,402	3,243,074	7,914,476
EXPENDITURES			
Current:			
General government	2,341,101		2,341,101
Public safety	2,057,124	372,538	2,429,662
Public works	600	2,223,250	2,223,850
Health and welfare	107,243		107,243
Culture and recreation	70,000	6,525	76,525
Conservation of natural resources	146,816		146,816
Economic development and assistance	43,489	19,130	62,619
Debt service:			
Principal	102,347	577,397	679,744
Interest	12,386	154,580	166,966
Total Expenditures	4,881,106	3,353,420	8,234,526
Excess of Revenues over (under) Expenditures	(209,704)	(110,346)	(320,050)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	347,239	491,373	838,612
Proceeds from sale of capital assets	100	82,432	82,532
Transfers in	98,843	65,670	164,513
Transfers out	(5,908)	(158,605)	(164,513)
Total Other Financing Sources and Uses	440,274	480,870	921,144
Net Changes in Fund Balances	230,570	370,524	601,094
Fund Balances - Beginning	1,270,258	811,922	2,082,180
Fund Balances - Ending	\$ 1,500,828	1,182,446	2,683,274

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 601,094
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,003,783 were exceeded by depreciation of \$1,231,021 in the current period.	(227,238)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$24,725 and the proceeds from the sale of \$82,532 in the current period.	(57,807)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	8,135
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$838,612 exceeded debt repayments of \$679,744.	(158,868)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(4,519)
The amount of increase in accrued interest payable	<u>(6,205)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>154,592</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2010

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 459,026
Accounts receivable (net of allowance for uncollectibles of \$212,173)	167,255
Other receivables	57,726
Due from other funds	51,000
Advances to other funds	46,500
Total Current Assets	<u>781,507</u>
Noncurrent assets:	
Land	66,000
Other capital assets, net	309,857
Total Noncurrent Assets	<u>375,857</u>
Total Assets	<u>1,157,364</u>
LIABILITIES	
Current liabilities:	
Claims payable	25,245
Due to other funds	20,169
Capital debt:	
Capital leases payable	12,324
Total Current Liabilities	<u>57,738</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	6,686
Total Noncurrent Liabilities	<u>6,686</u>
NET ASSETS	
Invested in capital assets, net of related debt	363,533
Restricted for:	
Public works	729,407
Total Net Assets	\$ <u>1,092,940</u>

The notes to the financial statements are an integral part of this statement.

.

NEWTON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2010

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 728,992
Miscellaneous	3,176
Total Operating Revenues	<u>732,168</u>
Operating Expenses	
Personal services	336,589
Contractual services	81,391
Materials and supplies	44,054
Depreciation expense	187,998
Indirect administrative cost	20,169
Total Operating Expenses	<u>670,201</u>
Operating Income (Loss)	<u>61,967</u>
Nonoperating Revenues (Expenses)	
Interest income	1,954
Nonoperating grants	28,428
Gain (loss) on sale of capital assets	(5,600)
Interest expense	(725)
Net Nonoperating Revenue (Expenses)	<u>24,057</u>
Net Income (Loss)	<u>86,024</u>
Changes in Net Assets	86,024
Net Assets - Beginning	<u>1,006,916</u>
Net Assets - Ending	\$ <u><u>1,092,940</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2010

Exhibit 7

	Business-type Activities- Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 740,318
Payments to suppliers	(116,577)
Payments to employees	(351,733)
Payments to General Fund for indirect costs	(19,100)
Other operating cash receipts	3,176
Net Cash Provided (Used) by Operating Activities	<u>256,084</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	28,428
Cash received from other funds:	
Loans made to other funds	(51,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(22,572)</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(163,807)
Principal paid on long-term debt	(17,989)
Interest paid on debt	(725)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(182,521)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	1,954
Net Cash Provided (Used) by Investing Activities	<u>1,954</u>
Net Increase (Decrease) in Cash and Cash Equivalents	52,945
Cash and Cash Equivalents at Beginning of Year	<u>406,081</u>
Cash and Cash Equivalents at End of Year	<u>\$ 459,026</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 61,967
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	187,998
Provisions for Uncollectible Accounts	167
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	11,159
Increase (decrease) in claims payable	(7,791)
Increase (decrease) in compensated absences liability	1,515
Increase (decrease) in interfund payables	1,069
Total Adjustments	<u>194,117</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 256,084</u>
Noncash Capital Financing Activity:	
Newton County lease purchased mobile equipment for \$53,361 for 3 years at 3.28% interest. Principal payments of \$17,989 were made on the lease during the year.	

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 8

Statement of Fiduciary Assets and Liabilities

September 30, 2010

	Agency Funds
	<hr/>
ASSETS	
Cash	\$ 67,576
Due from other funds	<hr/> 5,957
Total Assets	\$ <hr/> <hr/> 73,533
 LIABILITIES	
Intergovernmental payables	\$ <hr/> 73,533
Total Liabilities	\$ <hr/> <hr/> 73,533

The notes to the financial statements are an integral part of this statement.

.

## NEWTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Newton County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Newton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.



## NEWTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

## NEWTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

#### E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

#### F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Newton County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

## NEWTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds-Statement of Net Assets.

#### J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

#### K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

## NEWTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

#### (2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$3,602,512, and the bank balance was \$3,768,043. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 20,169
General	Other Governmental funds	19,939
Other Governmental Funds	Other Governmental Funds	50,000
Other Governmental Funds	General	49,709
Agency Funds	General	5,957
Solid Waste	Other Governmental Funds	51,000
Total		<u>\$ 196,774</u>

The General Fund receivables are the amount of indirect costs due to solid waste operations, matching requirements on a grant, and funds for necessary operations. The other governmental funds payable was to provide funds for necessary operations. The receivables represent the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	1,854
Other Governmental Funds	Other Governmental Funds	\$ 253,584
Solid Waste	Other Governmental Funds	46,500
Total		<u>\$ 301,938</u>

The purpose of the advances was to provide funds for bond payments, needed bridge work and necessary operating expenses.

#### B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 98,843
Other Governmental Funds	Other Governmental Funds	59,762
Other Governmental Funds	General	5,908
Total		<u>\$ 164,513</u>

The principal purpose of interfund transfers was to provide funds for administrative services, grant matches, or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 63,462
First Time Home Buyer grant	14,999
CDBG – Senior Citizen Center	13,641
Total Governmental Activities	\$ 92,102

### (5) Other Receivable.

The other receivable of \$57,726 in the Proprietary Fund Type is funds due to the Solid Waste Enterprise Fund from the Sprint Auction Company. The county sold garbage trucks through an auction operated by the company and did not receive payment from the sale before the company filed bankruptcy. There is a court decision pending related to the county's collection of these funds.

### (6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 285,503				285,503
<u>Depreciable capital assets:</u>					
Infrastructure	1,157,291				1,157,291
Buildings	4,847,590				4,847,590
Mobile equipment	4,834,547	284,384	119,576	221,267	5,220,622
Furniture and equipment	924,268	152,471		31,172	1,107,911
Leased property under capital leases	2,530,271	566,928	98,500	(252,439)	2,746,260
Total depreciable capital assets	14,293,967	1,003,783	218,076	0	15,079,674
<u>Less accumulated depreciation for:</u>					
Infrastructure	53,787	21,451			75,238
Buildings	1,783,598	78,026			1,861,624
Mobile equipment	3,056,706	489,004	103,119	61,428	3,504,019
Furniture and equipment	642,051	117,798		18,703	778,552
Leased property under capital leases	1,338,822	524,742	57,150	(80,131)	1,726,283
Total accumulated depreciation	6,874,964	1,231,021	160,269	0	7,945,716
Total depreciable capital assets, net	7,419,003	(227,238)	57,807	0	7,133,958

# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
Governmental activities					
capital assets, net	\$ 7,704,506	(227,238)	57,807	0	7,419,461
Business-type activities:					
	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 66,000				66,000
<u>Depreciable capital assets:</u>					
Buildings	49,995				49,995
Mobile equipment	509,710	163,807	20,000		653,517
Furniture and equipment	157,858				157,858
Leased property under capital leases	153,361				153,361
Total depreciable capital assets	870,924	163,807	20,000	0	1,014,731
<u>Less accumulated depreciation for:</u>					
Buildings	1,000	1,000			2,000
Mobile equipment	384,024	165,964	14,400		555,588
Furniture and equipment	118,647	7,232			125,879
Leased property under capital leases	27,605	13,802			41,407
Total accumulated depreciation	531,276	187,998	14,400	0	704,874
Total depreciable capital assets, net	339,648	(24,191)	5,600	0	309,857
Business-type activities capital assets, net	\$ 405,648	(24,191)	5,600	0	375,857

\* Adjustments to capital assets reflect the maturing of capital leases.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 39,212
Public safety	632,115
Public works	559,694
Total governmental activities depreciation expense	\$ 1,231,021
Business-type activities:	
Solid waste	\$ 187,998



# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (7) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (8) Capital Leases.

#### As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 2,324,105	153,361
Furniture and equipment	422,155	
Total	2,746,260	153,361
Less: Accumulated depreciation	(1,726,283)	(41,407)
Leased Property Under Capital Leases	\$ 1,019,977	111,954

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 474,473	45,072	12,324	152
2012	270,190	30,268		
2013	248,574	21,282		
2014	371,574	15,916		
2015	69,649	2,224		
2016 – 2020	32,018	489		
Total	\$ 1,466,478	115,251	12,324	152

# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (9) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
District 1 road & bridge bonds – 2009	\$ 400,000	3.90%	11/2024
Jail construction bonds	1,765,000	4.00 to 5.70%	10/2021
District 4 road & bridge bonds – 2009	<u>464,000</u>	3.80%	10/2023
Total General Obligation Bonds	<u>\$ 2,629,000</u>		
B. Other Loans:			
State of Mississippi CAP Loan	<u>\$ 207,825</u>	2.00%	11/2018
C. Capital Leases:			
2008 Dodge Charger	\$ 9,425	3.29%	10/2011
2009 Dodge Charger	9,962	3.34%	01/2012
2009 Dodge Charger	17,927	3.10%	10/2012
2009 Dodge Charger	17,927	3.10%	10/2012
2008 Crown Victoria	1,454	4.20%	11/2010
District 4 Cat 12h motor grader	120,611	3.30%	6/2011
District 3 Cat 12h motor grade	112,247	3.65%	6/2016
District 1 Cat 12h motor grader	112,247	3.65%	6/2016
District 4 2004 Cat 320cl excavator	58,292	3.59%	7/2014
District 3 Cat 320dl excavator	133,939	3.39%	8/2014
District 5 Cat motor grader	171,209	3.39%	8/2014
District 4 2004 Cat 416d backhoe	18,309	3.59%	7/2014
District 3 416d rubber tire backhoe	15,237	3.30%	8/2012
2007 Taylor Made Type II GMC ambulance	1,820	3.45%	2/2011
District 3 New Holland tractor & Alamo boom mower	14,283	4.25%	6/2011
District 5 John Deere tractor & Alamo boom mower	18,944	4.25%	7/2011
District 4 2006 Ford F150 4x4	3,711	4.25%	7/2011
District 5 2003 Cat 320 Excavator	4,018	4.39%	11/2010
District 1 2007 Mack dump trucks	35,038	3.96%	5/2012
District 5 2007 Mack dump truck	35,038	3.96%	5/2012
District 5 2007 Mack ctp713 dump truck	21,082	4.26%	9/2011
District 4 2007 Mack dump truck	67,619	4.35%	3/2018
District 4 2007 Mack dump truck	65,027	3.69%	4/2013
District 1 2008 Ford F150 pickup	7,916	6.09%	5/2013
District 3 2008 Chevy C1500 pickup	11,637	3.45%	7/2013
911 Equipment	255,834	3.23%	12/2014
Radios	40,705	3.24%	2/2013
District 2 Kubota tractor	42,707	3.37%	4/2015
District 3 2007 Mack truck	<u>42,313</u>	3.25%	5/2015
Total Capital Leases	<u>\$ 1,466,478</u>		
Business-type Activities:			
Capital Leases:			
2008 Caterpillar wheel loader	<u>\$ 12,324</u>	3.28%	5/2011

# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 157,000	105,707	23,664	3,940
2012	168,000	99,282	24,141	3,463
2013	175,000	92,500	24,629	2,975
2014	181,000	85,496	25,126	2,478
2015	192,000	77,919	25,633	1,971
2016 – 2020	1,094,000	259,287	84,632	2,780
2021 – 2025	662,000	43,642		
Total	\$ 2,629,000	763,833	207,825	17,607

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 2.42% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 81,164	4,519			85,683	
General obligation bonds	2,385,000	400,000	156,000		2,629,000	157,000
Capital leases	1,528,414	438,612	500,548		1,466,478	474,473
Other loans	231,021		23,196		207,825	23,664
Total	\$ 4,225,599	843,131	679,744	0	4,388,986	655,137
Business-type Activities:						
Compensated absences	\$ 5,171	1,515			6,686	
Capital leases	30,313		17,989		12,324	12,324
Total	\$ 35,484	1,515	17,989	0	19,010	12,324

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, District Road and Bridge Maintenance Funds, E911 Fund and Solid Waste Fund.

# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2010:

Fund	Deficit Amount
Fire protection	\$ 3,198
Countywide road and bridge	15,991
District 1 road	51,279
District 5 road	26,477
E911	109,480
District 4 road bond I&S	15,999
District 4 road and bridge bonds - 2009	6,804

### (11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

### (12) Joint Venture.

The county participates in the following joint venture:

Newton County is a participant with Kemper County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free public library service to the citizens of the respective counties. The Newton County Board of Supervisors alternately appoints two or three of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$70,000 in fiscal year 2010. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

### (13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The county appropriated \$30,300 for support of the district in fiscal year 2010.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$13,189 for support of the district in fiscal year 2010.

# NEWTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$29,500 for support of the commission in fiscal year 2010. The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Newton County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants. The county appropriated \$6,000 for support of the agency in the fiscal year 2010.

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Newton County Board of Supervisors appoints one of the 30 members of the college board of trustees. The county appropriated \$354,661 for maintenance and support of the college in fiscal year 2010.

### (14) Defined Benefit Pension Plan.

Plan Description. Newton County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$332,387, \$317,332 and \$331,307, respectively, equal to the required contributions for each year.

### (15) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
06/14/2011	2.86%	\$ 113,726	Capital lease	Ad valorem taxes
12/05/2011	2.33%	25,150	Capital lease	Ad valorem taxes

NEWTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,046,790	3,141,234	3,141,234	
Road and bridge privilege taxes				
Licenses, commissions and other revenue	165,050	171,214	171,214	
Fines and forfeitures	280,000	215,435	215,435	
Intergovernmental revenues	1,002,200	1,395,689	1,395,689	
Charges for services	64,000	41,751	41,751	
Interest income	15,000	11,565	11,565	
Miscellaneous revenues	166,140	189,570	189,570	
Total Revenues	<u>4,739,180</u>	<u>5,166,458</u>	<u>5,166,458</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,697,404	2,457,092	2,457,092	
Public safety	1,562,965	1,947,588	1,947,588	
Public works	300	600	600	
Health and welfare	109,015	101,141	101,141	
Culture and recreation	71,000	70,000	70,000	
Education	300,900	263,325	263,325	
Conservation of natural resources	152,832	150,030	150,030	
Economic development and assistance	43,989	43,489	43,489	
Total Expenditures	<u>4,938,405</u>	<u>5,033,265</u>	<u>5,033,265</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(199,225)</u>	<u>133,193</u>	<u>133,193</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	3,500	50,100	50,100	
Compensation for loss of capital assets		916	916	
Transfers in	195,725	200,563	200,563	
Transfers out		(116,747)	(116,747)	
Total Other Financing Sources and Uses	<u>199,225</u>	<u>134,832</u>	<u>134,832</u>	<u>0</u>
Net Change in Fund Balance		268,025	268,025	0
Fund Balances - Beginning	<u>1,023,093</u>	<u>1,023,093</u>	<u>1,023,093</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,023,093</u>	<u>1,291,118</u>	<u>1,291,118</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.



# NEWTON COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2010

### A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		Governmental Fund Type
		General Fund
Budget (Cash Basis)	\$	268,025
Increase (Decrease)		
Net adjustments for revenue accruals		(300,453)
Net adjustments for expenditure accruals		262,998
GAAP Basis	\$	<u>230,570</u>

## NEWTON COUNTY

## SPECIAL REPORTS

NEWTON COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Newton County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated January 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newton County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 10-1 and 10-2 to be material weaknesses.

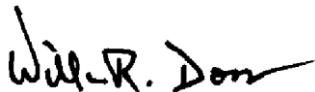
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 10-2.

We also noted certain instances of noncompliance which we have reported to the management of Newton County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated January 27, 2012, included within this document.

Newton County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Newton County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 27, 2012



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Newton County, Mississippi

We have examined Newton County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Newton County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Newton County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. Finding

Section 31-7-107, Miss. Code Ann. (1972) requires the county to establish and maintain an inventory control system. An effective system of internal control over capital assets ensures that capital assets are reported in the proper categories at the correct amounts. As reported in the prior year's audit report, weak internal controls existed over capital assets. We noted the following deficiencies:

- a. Mobile equipment in fiscal year 2010 was understated by \$184,160, due to a fire truck which was not properly added to the capital asset records.

- b. Mobile equipment was overstated by \$5,000 due to an industrial wheel tractor which was deleted during the fiscal year 2010 but not included as a deletion in the capital asset records.
- c. Excess depreciation of \$6,502 was taken on buildings.
- d. Several additions included on the capital asset listing did not have an asset number assigned to them.

#### Recommendation

The Inventory Control Clerk should ensure that all capital assets additions and deletions are included in the capital assets records in the proper fiscal year in the future. Also, the clerk should ensure that depreciation calculations are accurate in the inventory system. The clerk should implement procedures to ensure all capital assets are assigned a proper capital asset number, when they are added to the capital assets records in the future.

#### Inventory Clerk's Response

- a. Title and sales receipt were not received by the inventory clerk until after the auditing period. The equipment should not have been paid for until title had been received for the vehicle. The fire truck is currently on inventory. The transactions date is October 2010.
- b. I did not prepare the financial statements. Industrial tractor may not have been deleted in the proper month for audit, but was deleted as equipment was sold.
- c. I did not prepare the financial statements for auditors. I believe part of the problem was caused by having the 911 dispatch system under buildings, rather than furniture and fixtures where it should have been. The problem has been corrected.
- d. There may have been some items which were not physically tagged, but I believe they were on inventory.

Recommendations from the State Audit Department will be followed.

Purchase Clerk.

#### 2. Finding

Section 31-7-13 (c), Miss. Code Ann. (1972), requires purchases which involve an expenditure of more than Fifty Thousand Dollars (\$50,000), exclusive of freight and shipping charges, may be made from the lowest and best bidder after advertising for competitive bids once each week for two consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located. We noted one instance of the county purchasing E-911 equipment, in the amount of \$297,239, with no competitive written bids being obtained. The equipment purchased was thought to be a sole source item but has been determined during the fiscal year 2010 audit not to be a sole source item. Failure to obtain competitive written bids could result in excess costs to the county.

#### Recommendation

The Purchase Clerk should ensure that all purchase requirements, including bid and quote requirements, are met prior to ordering a service or commodity, as required by law.

#### Purchase Clerk's Response

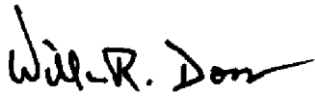
The vendor provided a letter stating they were a sole source because they were the only company that could integrate the work station. In the future we will check.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Newton County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Newton County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Newton County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 27, 2012



NEWTON COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2010

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

NEWTON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.

NEWTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2010

Our test results did not identify any purchases made noncompetitively from a sole source.



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Newton County, Mississippi

In planning and performing our audit of the financial statements of Newton County, Mississippi for the year ended September 30, 2010, we considered Newton County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Newton County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated January 27, 2012, on the financial statements of Newton County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response are disclosed below:

Board of Supervisors.

**Finding**

As reported in the last two years' audit reports, the county had advances that were over one year old. These loans were made when the county experienced negative cash flows. This loan was created by a former Supervisor. The amount remaining unpaid to date is \$46,500. Failure to repay this loan constitutes a diversion of legally restricted funds. For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of the funds for repayment.

**Recommendation**

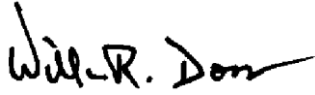
The Board of Supervisors should repay this loan as soon as possible, and in the future, ensure that all loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Board of Supervisors' Response

On November 1, 2010, \$26,000 of the loan was repaid. As stated in the prior year, the remainder will be repaid before this term expires on December 31, 2011.

Newton County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

January 27, 2012

NEWTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements:                           |             |
|    | Governmental activities  | Unqualified |
|    | Business-type activities   | Unqualified |
|    | General Fund   | Unqualified |
|    | Solid Waste Fund   | Unqualified |
|    | Aggregate remaining fund information   | Unqualified |
| 2. | Internal control over financial reporting:   |             |
|    | a. Material weakness identified?   | Yes         |
|    | b. Significant deficiency identified that is not considered to be a material weakness? | No          |
| 3. | Noncompliance material to the financial statements noted?                              | Yes         |

Section 2: Financial Statement Findings

Inventory Control Clerk.

Significant Deficiency – Material Weakness

Controls over capital assets should be strengthened.

10-1. Finding

An effective system of internal control over capital assets ensures that capital assets are reported in the proper categories at the correct amounts. As reported in the prior year's audit report, weak internal controls existed over capital assets. We noted the following deficiencies:

- a. Mobile equipment in fiscal year 2010 was understated by \$184,160, due to a fire truck which was not properly added to the capital asset records.
- b. Mobile equipment was overstated by \$5,000 due to an industrial wheel tractor which was deleted during the fiscal year 2010 but not included as a deletion in capital assets.
- c. Excess depreciation of \$6,502 was taken on buildings.
- d. Several additions included on the capital asset listing did not have an asset number assigned to them.

Recommendation

The Inventory Control Clerk should ensure that all capital assets additions and deletions are included in the capital assets records in the proper fiscal year in the future. Also, the clerk should ensure that depreciation calculations are accurate in the inventory system. The clerk should implement procedures to ensure all capital assets are assigned a proper capital asset number, when they are added to the capital assets records in the future.



## NEWTON COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2010

#### Inventory Control Clerk's Response

- a. Title and sales receipt were not received by the inventory clerk until after the auditing period. The equipment should not have been paid for until title had been received for the vehicle. The fire truck is currently on inventory. The transactions date is October 2010.
- b. I did not prepare the financial statements. Industrial tractor may not have been deleted in the proper month for audit, but was deleted as equipment was sold.
- c. I did not prepare the financial statements for auditors. I believe part of the problem was caused by having the 911 dispatch system under buildings, rather than furniture and fixtures where it should have been. The problem has been corrected.
- d. There may have been some items which were not physically tagged, but I believe they were on inventory.

Recommendations from the State Audit Department will be followed.

Board of Supervisors.

Significant Deficiency – Material Weakness  
Material Non-Compliance

Warrants should not be signed without sufficient money in the fund.

#### 10-2. Finding

Section 19-13-43, Miss. Code. Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior two years audit reports, warrants were issued on funds which did not have sufficient money available. At September 30, 2010, the County E-911 Fund had a negative cash balance of \$109,752, the Countywide Road Project Fund had a negative cash balance of \$14,133, and the District Four Bond I&S Payment Fund had a negative cash balance of \$7,303. Failure to maintain sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

#### Recommendation

The County Administrator should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

#### Board of Supervisors' Response

On September 30, 2011, the E-911 fund will be closed and made a part of the general fund. On October 1, 2011, the Beat 4 Bond I & S levy is being increased to 0.7 mills. The countywide road and bridge fund is at a deficit balance because of a disagreement over liquid emulsions and engineering fees.